Augmented Reality for Enterprise Alliance

ABSTRACT: AR ROI Best Practices

Overview

This document summarizes research conducted by Strategy Analytics on behalf of the AREA into the approaches followed by market leaders who are identifying, prioritizing, and managing costs and returns on their AR investments. It provides a set of "best practices" for companies to use in performing ROI analyses specifically for enterprise AR projects and provides stakeholders with an informed starting point and working framework for conducting ROI analysis on their AR technology investments.

The table of contents of the *Best Practices in Measuring Augmented Reality Return on Investment* report is found at the end of this summary.

If you are interested in learning more about this research and/or:

- **Exploring the status and potential of the Enterprise AR ecosystem;**
- **Joining the only global alliance bringing together enterprises pursuing the benefits of AR, providers offering AR solutions, and non-commercial organizations pushing the boundaries of AR technology;**
- **Finding out more about the AREA and its members' work to accelerate the adoption of Enterprise AR**

Please contact AREA Executive Director Mark Sage or visit the AREA website and learn how to join.

Background

Return on investment ("ROI") is a measure of the efficiency of an organization's investments, calculated by measuring net cash flows generated by an investment relative to its cost (cash outflows)[1]. When considering typical investments in IT infrastructure and software, acceptable minimum threshold rates of return on investment range from ten percent to fifteen percent depending on the industry. Average depreciation periods used to calculate the return on these IT investments have fallen over the last decade from five to seven years to an average of three to five years, depending on the industry.

There are significant market forces that, when combined, make it challenging for large organizations to conduct return on investment ("ROI") analyses on emerging technologies like Augmented Reality. The forces include:

- The digital transformation of enterprise IT,
- The increasing use by large organizations of software-as-a-service (SaaS) business models, and
- The use of agile development practices.

In order to separate the benefits of new technology from these forces which differ in every company, the fundamentals of performing and conducting ROI analyses need to be adapted.

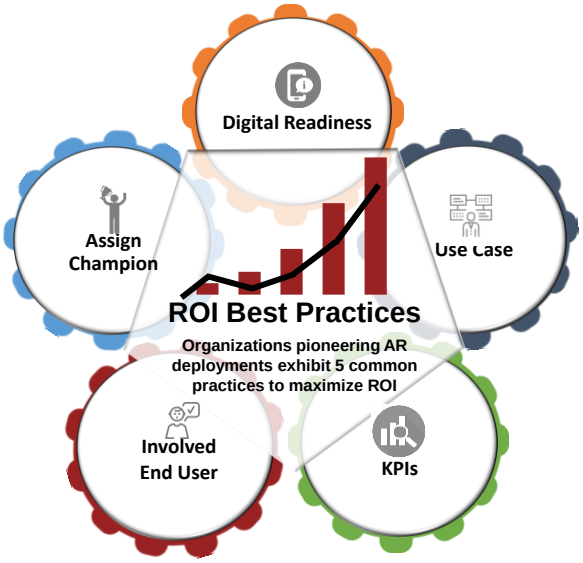
Research Methodology

Strategy Analytics' research team developed a discussion guide and conducted interviews with AREA members and members of the Strategy Analytics Enterprise Customer panel. These interviews covered a variety of use cases and focused on the challenges the experts faced when conducting ROI analyses on AR projects. The results of interviews became the best practices report and the basis for an Excel spreadsheet permitting the entry of variables into an ROI calculator. **The report and ROI calculator are** AREA member exclusive **benefits**.

[1] Investopedia

Experiences with AR ROI Suggest Five Best Practices

The five important best practices critical to preparing and conducting successful Enterprise AR ROI analyses are summarized in the figure below.



Source: AREA

Organizations that are accurately measuring the ROI of Augmented Reality have:

- A formal or informal corporate digitization strategy that allows them to account for content adaptation and other digital readiness costs separately from the project-based ROI.
- Clearly defined and quantifiable AR use cases.
- Selected acceptable and quantifiable business outcomes using familiar key performance indicators and business metrics.
- Involved end users intimately in pilots and evaluations.
- Assigned a champion to ensure that the technology is deployed and managed to reach projected performance and return targets.

These best practices provide a framework for organizations to prepare for and conduct comprehensive ROI analysis on their AR investment. Companies following these practices when undertaking ROI analysis on their AR projects are able to articulate and explain technology spending that will aid in decision making, and to accrue the greatest measurable benefits from their AR investment over the long term.

Best Practices in Measuring Augmented Reality Return on Investment

Table of Contents